Redevelopment Tax Credit Program
For Brownfields And Grayfields

A Report to the Legislative Tax Expenditure Committee

IOWA economic development

Submitted by the Iowa Economic Development Authority

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The Iowa Economic Development Authority (IEDA) administers the Brownfield and Grayfield Redevelopment Tax Credit program which provides an investment tax credit for redevelopment projects in Iowa that meet the definition of either a brownfield or grayfield.

Program Description

An owner's equity investment in a grayfield project can receive up to a 12 percent tax credit of a qualifying investment or up to 15 percent if the project meets the requirements of a green development. A brownfield can receive up to a 24 percent tax credit of a qualifying investment or up to 30 percent if the project meets the requirements of a green development. Iowa law defines qualifying investment as costs that are directly related to a qualifying redevelopment project and are incurred after the project has been registered and approved by the (IEDA) Board and only includes the purchase price, the cleanup cost, and the redevelopment costs.

A report of an owner's equity investment (among other requirements) must be submitted by an independent Iowa Certified Public Accountant upon project completion in order to receive a tax credit certificate. As of July 1, 2013, the maximum tax credit available per project is $1,000,000 and the program is capped at $10 million per fiscal year, which ends on June 30. An applicant that does not receive approval due to the cap being reached can receive priority consideration for the same project the next fiscal year if the credits are available. Successful applicants are required to enter into a contract with IEDA and the application becomes part of the contract by reference. Eligible applicants range from individuals to corporations. The only entities that are not eligible applicants are local, state and federal governments.(IAC 261—65.11(2))

For specific and comprehensive information please refer to Iowa Administrative Code section 261—chapter 65, "Brownfield and Grayfield Redevelopment" (updated as of March, 2012), or Iowa Code sections 15.291 through 15.294 (as amended by SF 514 in June, 2011 and by HF 620 in June, 2013).

Qualifying Investment

A Qualifying Investment is an owner's equity investment that is directly related to the redevelopment project, defined as:

261—65.2(15) **"Qualifying investment"** means costs that are directly related to a qualifying redevelopment project and that are incurred after the project has been registered and approved by the board. "Qualifying investment" only includes the purchase price, the cleanup costs, and the redevelopment costs.

Costs that are paid using other governmental financial assistance are not eligible for these redevelopment tax credits.

Green Development Designation

A green development is defined as:

261—65.2(15) **"Green development"** means development which meets or exceeds the sustainable design standards as established by the state building code commissioner pursuant to Iowa Code section 103A.8B.

Sustainable design standards can be found in Iowa Administrative Code section 661—chapter 310. Approval of a redevelopment project as sustainably designed is only granted by the Iowa Building Code Commissioner. All requests for approval as sustainably designed need to be submitted to the Iowa Building Code Bureau, Fire Marshal Division, Iowa Department of Public Safety, 215 East 7th Street, Des Moines, IA 50319.

Which Projects Qualify

What is a "Brownfield"?
Iowa Code defines a brownfield as:

261—65.2(15) **"Brownfield site"** means an abandoned, idled, or underutilized industrial or commercial facility where expansion or redevelopment is complicated by real or perceived environmental contamination. A brownfield site includes property contiguous with the property on which the individual or commercial facility is located. A brownfield site shall not include property which has been placed, or is proposed for placement, on the national priorities list established pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. 9601 et seq.

If it can be demonstrated that a property's expansion or redevelopment has been hampered or complicated due to an environmental condition, either real or perceived, the project is likely a brownfield. Simply having an old vacant building that may have environmental challenges, such as containing asbestos, doesn't necessarily mean it's a brownfield.

What is a "Grayfield"?
Grayfield sites are industrial or commercial properties that are vacant, blighted, obsolete or otherwise underutilized. A grayfield has been developed and has infrastructure in place, but the property's current use is outdated or prevents a better or more efficient use of the property. Iowa Code defines a grayfield as:

261—65.2(15) **"Grayfield site"** means an industrial or commercial property meeting all of the following requirements:

1. Infrastructure on the property is outdated or prevents an efficient use of the property, including vacant, blighted, obsolete, or otherwise underutilized property.
2. Property improvements and infrastructure are at least 25 years old and one or more of the following conditions exist:
   - Thirty percent or more of a building located on the property is available for occupancy and has been vacated or unoccupied for at least 12 months;
   - Assessed value of improvements on the property has decreased by 25 percent or more;
   - The property is used as a parking lot;
   - Improvements on the property no longer exist.

Program History

On May 15, 2008, Governor Culver signed Iowa Acts House File 2687 into law, establishing redevelopment tax credits for brownfield sites and grayfield sites. The term 'grayfield' was defined in Iowa Code for the first time in that legislation. The purpose of the program was to provide financial assistance for the acquisition, remediation or redevelopment of eligible brownfield and grayfield sites. Eligible brownfield properties include abandoned, idled or underutilized industrial or commercial facilities where expansion or redevelopment is complicated by real or perceived environmental contamination. Eligible grayfield properties include industrial or commercial property that has been developed and has infrastructure in place but the property's current use is outdated or prevents a better or more efficient use of the property. Such property includes vacant, blighted, obsolete or otherwise underutilized property with improvements and infrastructure that are at least 25 years old. 'Qualifying investment' was defined as the purchase price, the cleanup costs and the redevelopment costs directly related to a qualifying redevelopment project, and an investment was deemed to have been made on the date the qualifying redevelopment project was completed. The program was effectively only a one year program for fiscal year 2010, as an investment made prior to January 1, 2009 or after June 30, 2010 did not qualify for tax credits which were capped at $1 million for the statewide program. Any one project could not receive more than $100,000 (10 percent of the program total).

Fiscal year 2010 awarded contracts for 12 projects with combined total estimated project expenses of $23,115,970 and offered $951,036 in tax credits which equates to over $23 in project expenses to every $1 of tax credits. Of the 12 projects, seven ultimately claimed tax credits totaling $546,510 to a corresponding project total of $13,108,946, nearly $24 in actual project expenses to every $1 of tax credits issued.

Iowa Acts Senate File 514 was signed into law in by Governor Branstad in 2011, increasing the statewide program cap to $5 million. The maximum per project was left at 10 percent of program total, or $500,000. One key requirement was added, specifically that an audit of the project (more accurately described by accountants as a 'cost certification') needed to be completed by an independent certified public accountant licensed in Iowa, and was to be submitted along with other required documentation upon project completion. One other addition to the law was a sunset provision that the law would automatically be repealed on June 30, 2021.

Fiscal year 2012 awarded contracts for 21 projects with combined total estimated project expenses of $100,532,278 and offered $5,000,000 in tax credits, which equates to over $20 in project expenses to every $1 of tax credits. Of the 21 projects, four have claimed tax credits to date totaling $928,076 to a corresponding project total of $11,419,824, amounting to over $12 in actual project expenses to every $1 of tax credits issued. Project completion deadlines for FY 2012 projects are April of 2014, June of 2014 and November of 2014.

Fiscal year 2013 awarded contracts for 16 projects with combined total estimated project expenses of $61,609,039 and offered $5,000,000 in tax credits, which equates to over $12 in project expenses to every $1 of tax credits. Of the 16 projects, one has claimed tax credits to date for $500,000 on a project total of $13,500,000, which is $27 in actual project expenses to every $1 of tax credits issued. Project completion deadlines for FY 2013 projects are February of 2015, and one in July of 2015.

The program statewide program cap was increased to $10 million when Governor Branstad signed House File 620 into law in June of 2013. The maximum per project was left at 10 percent of the program maximum, increasing that amount to $1 million. Awards for 19 contracts were made in September of 2013 with a combined total estimate of project expenses of just over $120 million.

The Process

Applications are accepted throughout the year and considered on a first-come, first-served basis. Only complete applications are deemed to be received by IEDA. If an application is not complete, IEDA will notify the applicant in a reasonable time and manner, and an applicant will be given an opportunity to complete the application. Complete applications are reviewed by the Brownfield Advisory Council (BAC), which is made up of representatives from the IEDA Board, Iowa Department of Transportation, Iowa Department of Natural Resources, the Iowa League of Cities and IEDA.

The BAC reviews complete applications for eligibility and makes a determination as to the maximum amount of tax credit a given project can receive. Once the total amount of tax credits approved reaches the annual fiscal year cap, which is now $10 million, the BAC ceases the review process. BAC recommendations are taken before the IEDA Board for final approval.

Upon IEDA Board approval, official Notice of Board Action is sent to all approved applicants stating that a contract is forthcoming and must be executed in order to ultimately receive the tax credit. The notice also states the date of Board approval, which is the date after which incurred costs become eligible expenses. All projects must be completed within 30 months of Board approval. There is an option for an additional 12 month extension, but the extension must be requested of IEDA and receive Board approval before a contract amendment is executed.

Claiming The Tax Credits

In order to claim the tax credits upon project completion the contracted party is required to submit all claim documentation within 30 days of project completion. All claim documentation is specified in the contract and includes:

Written Certification Statement

A written certification signed by an authorized representative of the Recipient must be submitted. The statement must certify that:

1. All work for which Tax Benefits are being requested has been completed;
2. Such work conforms to and complies with any applicable specifications, terms, requirements, and provisions contained in the Contract, including but not limited to Exhibit A (the Recipient's Application) and Exhibit B (Description of the Project);
3. All costs and expenses submitted by Recipient have been incurred and paid by Recipient in accordance with the terms and provisions of the Program and the Contract, including but not limited to Exhibit A (the Recipient's Application) and Exhibit B (Description of the Project);
4. All costs and expenses submitted by Recipient are: (a) allowable and eligible for Tax Benefits, and (b) directly related to and in conformance with the Project;
5. All such submitted costs and expenses have been paid timely in accordance with the terms of any applicable agreements, contracts, or other documents;
6. Recipient has complied with and continues to be in compliance with all terms and provisions of the Contract, and Recipient has not breached or violated any term or provision of the Contract; and all information provided in the Schedule of Claimed Expenses form, supporting documentation, and this written certification is true, accurate, and complete.

Additionally, projects will need to submit articles of incorporation, certificate of existence, solid or hazardous waste audit, an authorization for Release of Confidential State Tax Information, a schedule of claimed expenses and supporting documentation

Success Story Briefs From Around The State

Elmira Cellars, Inc.

West Branch

This site was originally a U.S. Post Office that was converted to a gasoline service station around 1941. The old Post Office space was redeveloped within the specifications of the National Register of Historic Places and Districts Standards. The underground gasoline storage tanks needed to be removed and a new two-story building with a basement was built as an addition to house a new winery.

Brownfield Project:	**$440,000**
Tax Credits:	**$100,000**

Raining Rose, Inc.

Cedar Rapids

This project included the redevelopment of property that was first developed in 1921 as La Plant Choate Manufacturing Company, then Allis Chalmers until 1968. All structures had to be removed following asbestos removal and a new two-story LEED certified Silver 122,000 square foot manufacturing facility was constructed.

Grayfield Project:	**$13,500,000**
Tax Credits:	**$500,000**

1248 8th Street, LLC

West Des Moines

This site was an old gas station that was turned into a frozen yogurt store, then remained vacant for several years. The old gas station building and underground gasoline tanks had to be removed and a two-story office building was built.

Brownfield Project:	**$1,156,446**
Tax Credits:	**$83,036**

Success Story Briefs From Around The State

Kerker Lofts, LLC

Davenport

This project is part of the Historic Crescent Warehouse District and includes the redevelopment of the three-story warehouse into 18 one-bedroom apartments for people of various income levels with units set aside for residents earning 50 to 80 percent of the AMI as well as some at market rate.

Brownfield Project: **$1,331,074**
Tax Credits: **$319,458**

503 Walker, LLC

Woodbine

This project is an historical renovation of an iconic Woodbine building that had been largely vacant for years. Renovation created six two-bedroom, two-bathroom, 1,000 square foot apartments on the second floor and includes build-out for a restaurant and commercial incubator office space, largely revitalizing Woodbine's commercial district.

Grayfield Project: **$1,035,000**
Tax Credits: **$100,000**

Iowa Economic Development Authority
200 East Grand Avenue
Des Moines, Iowa 50309

515.725.3000
endowiowa@iowa.gov
iowaeconomicdevelopment.com